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Report Highlights:

Venezuela's poultry consumption continues to grow as consumer demand remains strong. The sector relies on imported animal feed (mostly of U.S. origin) which offers low price and higher quality and with reasonably priced inputs the industry has been able to expand and keep prices low. While there are still substantial barriers to the importers of poultry and processed poultry products, increased consumer and supplier awareness of new products is helping to break down barriers. During the past year and a half, U.S. based companies have moved into the Venezuelan market, registering products and finding local distributors.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

Executive Summary	1
PSD Table, Poultry Meat, Total	2
PRODUCTION	3
Production Policy	3
Production Problems and Inputs	3
CONSUMPTION	4
TRADE	4
Tariff and Non-Tariff Barriers	4
Import Restrictions	5
Factors Affecting U.S. Trade	5
Export Subsidies (<i>unchanged from previous report</i>)	6
MARKETING	7
Marketing Channels	7
U.S. Market Opportunities	7
Annex I	9

Executive Summary

Venezuela's poultry consumption continues to grow as consumer demand remains strong. The sector relies on imported animal feed (mostly of U.S. origin) which offers low price and higher quality and with reasonably priced inputs the industry has been able to expand and keep prices low. While there are still substantial barriers to the importers of poultry and processed poultry products, increased consumer and supplier awareness of new products is helping to break down barriers. During the past year and a half, U.S. based companies have moved into the Venezuelan market, registering products and finding local distributors.

PSD Table, Poultry Meat, Total

PSD Table						
Country	Venezuela					
Commodity	Poultry, Meat, Total				(1000 MT)	(MIL HEAD)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	15	15	10	10	10	15
Production	370	379	365	395	0	410
Whole, Imports	0	0	10	10	0	10
Parts, Imports	10	1	15	5	0	5
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	10	1	25	15	0	15
TOTAL SUPPLY	395	395	400	420	10	440
Whole, Exports	2	2	2	2	0	2
Parts, Exports	3	3	3	3	0	3
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	5	5	5	5	0	5
Human Consumption	360	365	370	380	0	405
Other Use, Losses	20	15	15	20	0	15
Total Dom. Consumption	380	380	385	400	0	420
TOTAL Use	385	385	390	405	0	425
Ending Stocks	10	10	10	15	0	15
TOTAL DISTRIBUTION	395	395	400	420	0	440
Calendar Yr. Imp. from U.S.	10	1	25	2	0	3

PRODUCTION

Venezuela's poultry production is estimated to have increased four percent between 2000 and 2001 responding to a higher demand for poultry meat and poultry products and continued low prices for inputs. Poultry production depends on imported animal feed, as well as imported genetics. An increasing demand for poultry products will support production for the next two years.

Production Policy

Government influence in the poultry industry has grown stronger as a result of the lobbying of poultry producers. The Government of Venezuela (GOV) continues to protect domestic producers by restricting the imports of raw poultry from countries that have reported incidents of Avian influenza in the past (refer to trade section). However, the market has been opened for processed U.S. poultry products as the GOV was convinced to issue sanitary imports permits allowing imports of processed U.S. poultry products. Shortly after, the GOV joined an Andean Community decision which included processed poultry products into the Andean Price Band System. According to this Andean Community decision all processed poultry imports are assessed a variable levy that changes every two weeks (please refer to trade section.)

The Venezuelan poultry sector is represented by the National Poultry Association (Federacion Nacional de Avicultura or FENAVI). Around 80 percent of the country's poultry producers are members of FENAVI and it is among the most politically influential of the agricultural associations. It is also worth noting that FENAVI has shown a tremendous interest in U.S. techniques and developments towards the poultry sector, attending numerous shows and expositions in the United States. FENAVI is well informed and maintains a smooth communication channel with similar organizations in Latin America.

Production Problems and Inputs

Venezuela's poultry industry relies on imported feeds and inputs. Despite claims to the contrary, Venezuelan feed manufacturers and livestock and poultry feeders seem to be making a profit out of inexpensive yellow corn and therefore remain key customers for U.S. origin yellow corn. Approximately 80 percent of Venezuelan yellow corn imports come from the United States. Yellow corn imports in the coming years are not expected to fall because poultry and pork feeders are reluctant to use anything other than imported yellow corn to feed their animals. The United States has continued to maintain the dominant market share (For feed grain imports refer to GAIN, Report Number VE1012). Imports of U.S. yellow corn reached over 1,000 TMT during 1999/2000. Imports for marketing year 2000/2001 are currently at 1,230 TMT.

Due to the prevailing ban on U.S. products, poultry genetics are quite expensive since they must be imported from Europe and some Latin American countries (Colombia and Peru). All inputs, including genetics required by the Venezuelan poultry sector are obtained at international market prices, which tend to be lower than the domestic price for the same kind of inputs.

CONSUMPTION

Consumption of poultry meat is currently supported by its lower price relative to other meats. Between 2000 and August 2001 demand for poultry and poultry meat increased by five percent and is heading up as much as four percent annually due to the following: a) international concerns regarding Foot and Mouth has created an awareness among Venezuelan consumers who prefer poultry meat as an alternative source of animal protein; b) more sophisticated consumers who have been exposed to U.S. products overseas are now demanding U.S. poultry products; c) poultry prices are more competitive than red meat and pork meat.

Despite the fact that a small percentage of the population has been exposed to U.S. products overseas, more supermarket managers are using poultry products as a door-opener for the rest of the consumers. In addition, having U.S. poultry products on the market should help increase total consumption, because landed U.S. poultry products are priced beneath domestic poultry products.

Prices Table

Prices Table			
Country	Venezuela		
Commodity	Poultry, Meat, Total		
Prices in	US dollars	per uom	kilograms
Year	2000	2001	% Change
Jan	1.84	1.63	-11.41%
Feb	1.84	1.77	-3.80%
Mar	1.63	1.56	-4.29%
Apr	1.63	1.56	-4.29%
May	1.63	1.9	16.56%
Jun	1.44	2.04	41.67%
Jul	1.44	1.89	31.25%
Aug	1.5	1.5	0.00%
Sep	1.5	na	-100.00%
Oct	1.48	na	-100.00%
Nov	1.14	na	-100.00%
Dec	1.25	na	-100.00%
Exchange Rate	734	Local currency/US \$	

TRADE

During 1999 and 2000 imports of poultry meat reached 1,000 MT according to Venezuela's statistical office. The official figures do not show smuggling and contraband of poultry from neighboring Colombia or other countries. FAS/Caracas estimates imports of U.S. poultry could reach 15 and 20 TMT between 2001 and 2002 if the opening of the Venezuelan market to U.S. poultry products moves forward. Further imports for the upcoming years should double these estimated figures as consumers become more aware of the quality and price of U.S. poultry.

The GOV's project to have one of its major islands (Nueva Esparta State, located at the northeast coast of the country) named as an area free of any poultry diseases which started during mid 2000, continues its development with the sustainable support of the poultry producers and the lack of resources (technical and fiscal) from the government. Still, the area has not been declared free of any poultry diseases. Plans are that once this area is declared free of any poultry diseases, the GOV expects to open an export window to neighboring Caribbean countries (Aruba, Curacao and Trinidad & Tobago).

Tariff and Non-Tariff Barriers

Whole poultry and poultry pieces are included under the Andean Community agricultural price band system for imports from non-Andean Community countries. This system raises or lowers the ad valorem duty of groups of related products according to the relationship of the prices of specified "marker" commodities to set floor and ceiling prices. There is a price band for poultry parts. Whole birds, however, are included in the yellow corn group. (See VE5014 and VE6015 for a detailed explanation of how the price band system operates.)

The base custom rate for poultry and poultry products is 20 percent and inter-Andean imports are assessed a zero duty rate. All other imports must follow the Andean Community Price Band system. The price band system benefits inter-Andean Community imports, while making it too expensive for other relatively cheaper poultry producers to access the Andean Community market.

Venezuela negotiated Tariff Rate Quotas (TRQs) for poultry meat not cut in pieces (HS code 0207) up to a ceiling of 3,426 MT with a tariff of 40 percent. To date, the GOV has not notified the WTO of its intention to open the TRQ. Therefore, imports remain subject to the Andean price band.

Import Restrictions

Venezuela typically uses unjustified sanitary restrictions to protect local production from imports. The fierce opposition offered by the Venezuelan Poultry Producers Federation (FENAVI) to U.S. poultry imports has been the major blockage to access the market. The domestic poultry sector has been protected since August 1993 by a total prohibition of fresh poultry or poultry products from the United States, supposedly to protect the domestic poultry industry from highly pathogenic avian influenza (AI).

The Ministry of Production and Commerce (MPC) modified this import prohibition in the *Gaceta Oficial* on March 13, 1997, allowing the import of pathogenic free (SPF) eggs from “AI-free countries,” and the import of certain processed poultry products from “AI-free countries.” This resolution leaves open the possibility of imports of fresh poultry, hatching eggs, and fresh/frozen poultry meat from “AI-free countries” with SASA’s (the Venezuelan equivalent of APHIS) approval.

Factors Affecting U.S. Trade

After many years of delays last fall the Venezuelan Government (GOV) agreed to issue sanitary import permits allowing imports of **processed** U.S. poultry products. Venezuelan authorities require a statement that the processed product has been heated to an internal temperature of 155 degrees Fahrenheit (68 degrees Celsius). All USDA-approved processed poultry products already meet this requirement as evident by the USDA seal on the processed poultry product. Shipments of processed poultry started arriving in November 2000 but quantities remain small.

While the door has not yet been opened for **unprocessed** U.S. poultry imports into Venezuela, FAS/Caracas is working with the Ministry of Production and Commerce to get scientifically justified and WTO-consistent sanitary import requirements in place.

Recently, the Andean Community, through its Decision N° 497, dated 03/30/01, included a new set of products into its Andean Price Band System (APBS). As with all other non-Andean origin poultry, imports of all prepared, seasoned and/or frozen poultry parts coming from the United States into Venezuela will pay a variable tariff subject to change every two weeks as established by the APBS (much higher than the 20 percent tariff previously paid.)

The tariff change is triggered because the mentioned products (all under sub-chapter 1602 of the HS code) are now included in the Andean Price Band System. Heretofore, only raw poultry was included in the price band

The HS codes for the products affected are the following:

Other prepared or preserved meat, meat offal or blood
of poultry of heading 0105:
1603.31.00 of turkeys
1602.32.00 of chickens
1602.39.00 all others

The APBS changes the current tariff every two weeks, and fluctuation can be expected throughout the year. For the most current tariff rates, importers should check the following web-site: www.comunidadandina.org

Export Subsidies (*unchanged from previous report*)

The GOV does not provide any special incentives for fresh or processed poultry exports. Incentives to promote the export of fresh or chilled poultry products were discontinued on May 7, 1991 (Decree number 1597). It is possible that special incentives might be designed and implemented in the near future considering the GOV support to the agricultural sector.

MARKETING

Venezuela's delegation to the Atlanta Poultry Show and Exposition (January 2001) has been increasing in recent years. Local producers as well as food importers and distributors have shown interest in attending the Atlanta Poultry Show mainly in search of a new technologies and products for the Venezuelan consumer. The show has provided match-making opportunities between local importers and U.S. poultry producers, such as Tyson Foods, Hormel Foods and Cargill's Poultry division. As result, some of the mentioned companies have begun the registration process for their products to be sold in Venezuela.

Poultry is offered in a variety of ways. Chicken is available fresh, refrigerated, frozen, canned or processed. Canned products include a spreadable or deviled chicken product. Refrigerated poultry products include chicken sausages (both regular and smoked), chicken and beef sausages, chicken bologna, chicken breast deli meat, whole smoked chicken, and chicken ham. Frozen poultry products include whole chickens and chicken parts, and ready-to-eat breaded chicken parts: chicken patties, croquettes, nuggets, breast filets, and steaks. There is a well established custom of seasoning most dishes with condensed chicken or beef bouillon. These products are marketed in a loose powder or compressed into cubes.

Marketing Channels

Most poultry products are sold through supermarkets, grocery stores, hypermarkets, gourmet stores and mini-markets (referred to locally as "abastos"). Other outlets for processed poultry products are the local bakeries ("panaderias") and butcher shops, which are common in Venezuela. Another marketing channel is the fast-food chains and restaurants, with around 120 outlets in Venezuela selling chicken products as well as beef hamburgers. The rate of expansion among fast food franchises such as McDonald's, Kentucky Fried Chicken, and Wendy's has been phenomenal. Even domestic chains such as Arturo's and Chipi's have enjoyed growing popularity. U.S. based franchises such as TGI Fridays, Tony's Roma and most recently, Outback Steakhouse have opened restaurants in the capital, serving poultry dishes as part of their menu. While the above marketing channels are the most common in urban areas of the country, consumers also shop at wet markets for their poultry products especially in smaller cities and in the rural areas. The wet markets open every day from dawn through noon and products come directly from local producers.

U.S. Market Opportunities

During the past four years the hotel industry in Venezuela has strongly developed with the presence of the following hotel chains: Best Western, Eurobuilding, Four Seasons, Gran Meliá, Holiday Inn and the Intercontinental, among others. Imports of high quality and convenient poultry cuts by the five-star hotels are a possibility and the tendency is to reduce handling by untrained Venezuelan kitchen staff to minimize loss and maintain U.S. style food safety for guests.

There is also a market for turkey and turkey products as Venezuelans are becoming somewhat more aware of health issues and turkey is well liked. Only three well-known turkey producers are capable of supplying 6 million kilograms of turkey meat.

There also exists in Venezuela an increasingly strong market for consumer-ready meat products made from chicken or turkey to be sold through supermarkets, specialty meat stores and restaurants. The Venezuelan market for products such as sausages, turkey pastrami, turkey hot dogs, etc. is expanding rapidly to upper income groups.

The FAS/Caracas office organizes a variety of events each year to put U.S. exporters in touch with potential Venezuelan buyers. In Venezuela, the major show is the Great American Barbeque which has increased in size and attendance each of the three years it has been held. In addition, the FAS/Caracas office recruits buyers to attend U.S. trade shows such as the FMI Show, the National Restaurant Association (NRA) show, the Fancy Food show and the America's Food and Beverage Show. For further information contact FAS/Caracas at AgCaracas@fas.usda.gov or fax: (58-2) 975-7615. In addition, U.S. poultry exporters can work with U.S. Poultry & Egg Export Council (USAPEEC) at usapec@usapec.org or www.usapeec.org to coordinate export efforts to Venezuela .

The Venezuelan Poultry Producers Federation (FENAVI) is holding the National Poultry Congress VIII in September 2001. This forum provides an opportunity to talk with the GOV authorities and the local producers to discuss the safety and quality of the U.S. poultry and learn more about the market for poultry products. The Congress will also have a exposition showcase for all interested companies. For further information refer to <http://cyberbox.net/fenavi>.

STOCKS

Currently, inventories of poultry and poultry meat are similar to levels of previous years. Reduced levels of inventories in previous years (around 5-10 TMT) resulted from a change in demand trends, which is higher now. The current capacity of cold-storage facilities in Venezuela account for 421,6000 cubic meters between public and private storage, with the majority of the facilities over 30 years old. As reported previously, an increasing trend has shown that there is a growing consumer demand for processed poultry products, including pre-cooked and prepared poultry. Accordingly, several food importers and supermarkets are developing cold-storage facilities which helps boosts inventory levels. Most of these players have attended U.S. trade shows such as the FMI show, the NRA show, the Fancy Food Show and the America's Food and Beverage Show. Venezuelans that attend these shows have reported that they have contacted new U.S. suppliers and learned new ways to improve their sales.

Annex I

For further information regarding poultry production and trade in Venezuela, please refer to the following websites:

Federación Nacional de Avicultores (National Poultry Producers Federation (FENAVI))
<http://cyberbox.net/fenavi>

Professional Publications (Publicaciones Profesionales)
<http://www.pzca.com.ve/va>

Noticiero Agropecuario
<http://noticieroagropecuario.com>

Instituto Nacional de Estadísticas (INE)
<http://ocei.platino.gov.ve>